

## Message Text

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PAGE 01 VALLET 01245 271616Z

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ACTION XMB-04

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R 271550Z OCT 76

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 7051

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E.O. 11652: N/A

TAGS: EFIN, MT

SUBJ: PHOENIX TEXTILES INDUSTRIES, CLAIM NO. M-710-X/MT-7188

AND C-953-X/S-2729

REF: (A) STATE 261334 AND (B) VALLETTA 849

1. LIQUIDATION PROCEEDINGS IN THE CASE OF PHOENIX TEXTILES HAVE PROGRESSED SLOWLY, DUE TO DELAYING TACTICS ADOPTED BY PROF. JOSEPH GANADO, LIQUIDATOR OF THE FIRM AND ATTORNEY FOR THE PHOENIX STOCKHOLDERS. GANADO'S TACTICS WERE BASED ON HIS HOPE THAT THE PARLIAMENTARY ELECTIONS HELD IN SEPTEMBER, WOULD RESULT IN A CHANGE IN GOVERNMENT IN MALTA WHICH, IN TURN, MIGHT HAVE IMPROVED THE POSSIBILITY OF ACHIEVING A SOLUTION TO THE PHOENIX PROBLEM THAT WOULD BE MORE ADVANTAGEOUS TO THE COMPANY. NOW THAT THE LABOR GOVERNMENT HAS BEEN REELECTED INSTEAD, LIQUIDATION PROCEEDINGS ARE EXPECTED TO ADVANCE MORE RAPIDLY.

2. ON OCTOBER 14 EMB OFF MET WITH PROF GANADO TO DISCUSS PHOENIX TEXTILES. GANADO REGRETTED THAT HIS DELAYING TACTICS HAD BEEN TO NO AVAIL, AND STATED THAT HE WAS NOW ACTIVELY GOING FORWARD WITH THE LIQUIDATION OF PHOENIX. HE NOTED THAT A HEARING ON THIS SUBJECT WAS TENTATIVELY SET FOR MID-NOVEMBER. MEANWHILE, HE IS ATTEMPTING TO LINE UP POTENTIAL BIDDERS FOR THE FIRM'S ASSETS.

3. THE GOM IS WELL AWARE OF GANADO'S FOOT DRAGGING TACTICS. DURING A MEETING ON OCTOBER 19 WITH GOM

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PAGE 02 VALLET 01245 271616Z

ATTORNEY GENERAL EDGAR MIZZI, THE AMBASSADOR AGAIN URGED

AN EARLY SETTLEMENT OF THE PHOENIX CASE. MIZZI EMPHASIZED THAT "THE BALL IS IN GANADO'S COURT", AND COMPLAINED THAT GANADO DELIBERATELY HAD BEEN DELAYING LIQUIDATION PROCEEDINGS.

4. COMMENT: BOTH GANADO AND JOE BUNTING, FORMER MANAGER OF PHOENIX TEXTILES, BELIEVE THE DEBT OWED BY PHOENIX TO LESSONA WILL BE FULLY PAID UPON THE LIQUIDATION OF THE COMPANY. HOWEVER, THERE IS NO ASSURANCE THAT THE AMOUNT RECOVERED IN LIQUIDATION WILL SUFFICE TO COVER NON-PREFERRED CREDITORS, WHICH INCLUDES JAMES LAWRENCE AND CO. ACCORDING TO GANADO, THE BANK OF VALLETTA (WHICH HAS THE LEGAL RIGHT TO DETERMINE THE MINIMUM OFFER IN THE LIQUIDATION OF PHOENIX) HOPES TO RECEIVE AN OFFER OF LM1 MILLION (US \$2.4 MILLION), BUT WOULD SETTLE FOR LM 650,000 (US \$1.6 MILLION). NEITHER SUM IS CONSIDERED ADEQUATE TO FULLY COVER THE DEBT TO JAMES LAWRENCE AND CO. THE EMBASSY WILL CONTINUE TO FOLLOW DEVELOPMENTS IN THIS CASE AND REPORT THEM TO THE DEPARTMENT. SMITH

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## Message Attributes

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